



Thomas A. Schweich
Missouri State Auditor

Pemiscot County Collector and Property Tax System



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CITIZENS SUMMARY

Findings in the audit of the Pemiscot County Collector and Property Tax System

Background	Section 52.150, RSMo, requires the State Auditor to audit the office of a County Collector after being notified of a vacancy in that office. A vacancy occurred in the office of the County Collector of Pemiscot County on April 3, 2013. A successor was appointed and sworn into office effective May 17, 2013. The scope of our audit included, but was not necessarily limited to, the year ended February 28, 2013, and the period from March 1, 2013, to April 3, 2013.
Property Tax System Controls and Procedures	As noted in our prior audit report, neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector. The County Clerk does not create an account book or other records summarizing property tax charges, transactions, and changes, so the County Clerk and the County Commission do not have information readily available and do not adequately review the annual settlements prepared by the County Collector. The County Collector did not file the 2012 and 2013 annual settlements timely.
Property Tax Withholdings	The County Collector should have withheld assessment fund withholdings on tax collections at a rate of 1.7 percent but only withheld them at a rate of 1 percent. As such, the Assessment Fund is owed approximately \$42,000 for the period November 1, 2012, through February 28, 2013. The County Collector also incorrectly calculated commissions on school taxes, so more than \$30,000 which should have been withheld from schools and paid to the County Treasurer for the General Revenue Fund was not withheld. The same problems occurred during December 2011, but the amount of the errors was not quantified.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

Pemiscot County Collector and Property Tax System

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Property Tax System Controls and Procedures4 2. Property Tax Withholdings5
---	--

Organization and Statistical Information	7
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THOMAS A. SCHWEICH

Missouri State Auditor

To the County Commission
and
County Collector
Pemiscot County, Missouri

We have audited the County Collector and Property Tax System of Pemiscot County. Section 52.150, RSMo, requires the State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. On April 3, 2013, a vacancy occurred in the office of the County Collector of Pemiscot County. A successor was appointed and sworn into office effective May 17, 2013. The scope of our audit included, but was not necessarily limited to, the period from March 1, 2013, to April 3, 2013, and the year ended February 28, 2013. The objectives of our audit were to:

1. Evaluate the county's internal controls over significant property tax functions.
2. Evaluate the county's compliance with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the county, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the County Collector and county management and was not subjected to the procedures applied in our audit of the County Collector and property tax system.

Section 52.150, RSMo, requires the County Commission to accept the State Auditor's report and, if necessary, to take certain specific actions if the State Auditor finds any monies owing to the county or the former County Collector. For the areas audited, we identified (1) deficiencies in internal controls and (2) noncompliance with legal provisions. The accompanying Management Advisory Report presents our findings arising from our audit of the County Collector and Property Tax System of Pemiscot County.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Jeannette Eaves, CPA
In-Charge Auditor:	David Olson

Pemiscot County Collector and Property Tax System

Management Advisory Report

State Auditor's Findings

1. Property Tax System Controls and Procedures

The County Clerk and County Commission do not provide adequate monitoring over property tax system activities. The County Collector collected approximately \$11.4 million during the year ended February 28, 2013.

1.1 Review of property taxes

As noted in our prior audit report (No. 2011-65, *Pemiscot County*, issued in September 2011), neither the County Clerk nor the County Commission adequately reviews the activities of the County Collector. While the County Clerk maintains files of tax charges, additions and abatements, and the County Collector's monthly settlements, the County Clerk does not use this information to create an account book or other records summarizing property tax charges, transactions, and changes. Therefore, the County Clerk and the County Commission do not have information readily available, and do not adequately review the annual settlements prepared by the County Collector. County officials indicated in our follow up report (No. 2012-140, *Follow-Up Report on Audit Findings-Pemiscot County*, issued in November 2012) that other counties would be contacted to determine the best way to maintain an account book for use in reviewing the County Collector's annual settlements and that limited reviews of settlement information would continue in the meantime. Although the County Clerk indicated she contacted some other counties, current audit work shows a continuation of this significant weakness and lack of review. Another property tax year has been completed (property tax year ended February 2013) since release of our prior audit report and follow up report, and the related annual settlement was filed for review without the benefit of an account book to assist in verifying the information. As a result, there continues to be an increased risk of loss, theft, and misuse of property tax monies going undetected.

Section 51.150.1(2), RSMo, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. An account book or other records which summarize all taxes charged to the County Collector, monthly collections, delinquent credits, additions and abatements, and protested amounts should be maintained by the County Clerk. Such records would help the County Clerk ensure taxes charged and credited to the County Collector are complete and accurate and could also be used by the County Clerk and the County Commission to verify the County Collector's annual settlements.

1.2 Annual Settlements

The County Collector's annual settlement for the year ended February 28, 2013, was not filed with the County Clerk until June 5, 2013. The settlement for the year ended February 29, 2012, was filed with the County Clerk on June 18, 2012.

Section 139.160, RSMo, requires the County Collector to annually settle with the County Commission the accounts of all monies received from taxes and other sources. To help ensure the validity of tax book charges,



Pemiscot County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

collections, and credits, and for the County Clerk and County Commission to properly verify these amounts, it is imperative the County Collector file annual settlements on a timely basis.

Recommendations

- 1.1 The County Clerk maintain an account book with the County Collector. In addition, the County Clerk and the County Commission should use the account book to review the accuracy and completeness of the County Collector's annual settlements.
- 1.2 The County Collector file annual settlements in a timely manner.

Auditee's Response

- 1.1 *The County Clerk provided the following response:*

I contacted another county clerk and obtained their account book spreadsheet. I will use this to develop an account book for the tax year ending February 2014. The account book will be reconciled to the County Collector's February 2014 settlement. The County Commission will review the account book and annual settlement.

- 1.2 *The County Collector provided the following response:*

The settlement for the year ended February 28, 2013, was delayed due to the conversion to a new computer system and the death of the former County Collector. We will make every effort to file the settlements more timely in the future.

2. Property Tax Withholdings

Property tax withholdings are not calculated correctly on school taxes, resulting in more than \$42,000 not being withheld for the Assessment Fund and more than \$30,000 not being withheld for the General Revenue Fund.

2.1 Assessment withholdings

The County Collector failed to accurately calculate amounts withheld from tax collections for the Assessment Fund, and as a result, approximately \$42,000 is due to the Assessment Fund for the period November 1, 2012, through February 28, 2013. A review of the County Collector's monthly distribution report indicates the same problem occurred during December 2011. The amount of the error, however, was not quantified.

Assessment fund withholdings on tax collections should have been withheld at the rate of 1.7 percent; however, only 1 percent was withheld from school taxes and paid to the Assessment Fund.

Section 137.720, RSMo, requires a one and one-half percent commission on ad valorem property tax collections allocable to each taxing authority be deducted from the collections of taxes each year and deposited into the assessment fund of the county. Section 137.720.3, RSMo, limits the one-



Pemiscot County Collector and Property Tax System Management Advisory Report - State Auditor's Findings

half of one percent deduction to \$75,000. An additional one-fifth of one percent is allowed per Section 137.082, RSMo.

2.2 Commissions

The County Collector incorrectly calculated commissions on school taxes, and as a result, more than \$30,000 was not withheld from schools for the period November 1, 2012, through February 28, 2013. Commissions were withheld at the rate of 1 percent but should have been withheld at the rate of 1.5 percent and paid to the County Treasurer for the General Revenue Fund. A review of the County Collector's monthly distribution report indicates the same problem occurred during December 2011. The amount of the errors, however, was not quantified.

Section 52.260, RSMo, provides for a one percent commission on all tax collections and Section 52.250, RSMo, provides for a one-half of one percent mailing commission on all current taxes collected, except railroad and utility tax collections, to be paid to the county's General Revenue Fund.

Recommendations

The County Collector:

- 2.1 Ensure Assessment Fund withholdings comply with statutory provisions. The County Collector should review Assessment Fund withholdings prior to November 2012 and subsequent to February 2013, and calculate the amount owed by each school district, if any. Any amounts due should be discussed with the County Commission and school districts to determine an appropriate approach for resolving amounts owed to the Assessment Fund.
- 2.2 Ensure commissions calculations comply with statutory provisions. The County Collector should review commissions prior to November 2012 and subsequent to February 2013, and calculate the amount owed by each school district, if any. Any amounts due should be discussed with the County Commission and school districts to determine an appropriate approach for resolving amounts owed to the General Revenue Fund.

Auditee's Response

The County Collector provided the following response:

I have discussed these findings with the County Commission. The calculations will be corrected in the future.

The County Clerk provided the following response:

The County Commission has contacted the Prosecuting Attorney regarding these findings and will make a final decision after receiving his response.

Pemiscot County Collector and Property Tax System

Organization and Statistical Information

The County Collector bills and collects property taxes for the county and most local governments. Pursuant to Section 52.015, RSMo, the term for which collectors are elected expires on the first Monday in March of the year in which they are required to make their last final settlement for the tax book collected by them. Annual settlements are to be filed with the county commission for the fiscal year ended February 28 (29).

Keith Jean served as County Collector until April 3, 2013. Dr. Terry Swinger was appointed the Pemiscot County Collector and sworn into office on May 17, 2013.

The County Collector received compensation of \$5,125 for the period March 1, 2013, to April 3, 2013. During the year ended February 28, 2013, the County Collector received compensation of \$41,000. Compensation was in accordance with statutory provisions.